



DEPARTMENT OF THE TREASURY

OFFICE OF PUBLIC AFFAIRS

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TREASURY AND IRS ISSUE REVISED TAX FORM FOR CORPORATE TAX RETURNS

To increase the transparency of corporate tax return filings, today the Treasury Department and Internal Revenue Service released a draft of the final version of the Schedule M-3, Net Income (Loss) Reconciliation for Corporations with Total Assets of \$10 Million or More, for use by certain corporate taxpayers filing Form 1120, U.S. Corporation Income Tax Return. The original draft version of Schedule M-3 was released for public comment on January 28, 2004.

Schedule M-3 is effective for any taxable year ending on or after December 31, 2004, and, in general, must be filed by a corporation required to file Form 1120, U.S. Corporation Income Tax Return, that reports on Form 1120 at the end of the corporation's taxable year total assets that equal or exceed \$10 million. However, a corporation required to file Schedule M-3 is only required to complete certain sections of Schedule M-3 in the first taxable year the corporation is required to file Schedule M-3.

"The purpose of this project has been to make differences between financial accounting net income and taxable income more transparent. Schedule M-3 accomplishes this. Schedule M-3 provides information that will identify taxpayers that may have engaged in aggressive transactions and therefore should be audited," stated Acting Treasury Assistant Secretary for Tax Policy Greg Jenner.

"The new disclosures will help us target our examination efforts on high-risk areas, thereby improving and speeding the audit process," said IRS Commissioner Mark W. Everson.

"The increased transparency and uniform reporting requirements for corporate taxpayers filing Schedule M-3 will allow agents to swiftly focus on emerging issues and evolving business trends. This will result in a quicker and more current and efficient examination process aimed at those returns with the greatest compliance risk," said Deborah M. Nolan, IRS Large and Mid-Size Business Division Commissioner.

The Schedule M-3, the draft instructions for Schedule M-3 released on March 11, 2004, and a set of Frequently Asked Questions to assist corporations, practitioners, and programmers preparing

to implement Schedule M-3, are attached and may be accessed on www.irs.gov. The final instructions for Schedule M-3 will be released later this year and will also be available on www.irs.gov.

ATTACHMENTS:

Final draft Schedule M-3

Schedule M-3 Frequently Asked Questions

Draft Schedule M-3 instructions